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SOUTH DAKOTA
DEPARTMENT OF REVENUE

ANNUAL STATISTICAL REPORT FY 1985

SOUTH DAKOTA
Department of Revenue

DIVISION OF PROPERTY TAXES
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Governor William J. Janklow
Members of the South Dakota Legislature
and
Citizens of South Dakota

Pursuant to SDCL 10-1-35, 10-1-36, and 6-9-2, I am pleased to submit the fiscal year 1985 Annual Statistical Report of the South Dakota Department of Revenue.

The annual report is prepared in an effort to provide you with the information relative to the value of property for the purposes of taxation for the current year. This report furnishes historical tax data on both the state and local levels, the source of state funds, the levy of tax by purpose, and the disposition of state levied taxes. In addition, the report provides an explanation of the various state taxes and presents an outline of the Department's organizational structure.

Sincerely,

R. Van Johnson
Secretary
Department of Revenue

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SECTION I: THE DEPARTMENT OF REVENUE

The major function of the Department of Revenue is to collect and administer various taxes and license fees levied by the state and local governments. In order to do such as effectively and efficiently as possible, the Department has established five major goals. They are:

1. COMPLIANCE – – To use all available resources to insure that all taxpayers fully comply with the entire body of South Dakota tax laws;
2. UTILIZATION – – To insure efficient utilization of state funds through an expanded program of internal auditing and increased managerial supervision of all phases of Department administration;
3. IMPROVEMENT – – To aid improvement of South Dakota's tax laws by working with the executive and legislative branches to research all proposed modifications of South Dakota's tax laws;
4. EDUCATION – – To use all available resources of the Department to serve, assist, and educate South Dakota citizens with respect to the tax laws; and
5. COOPERATION – – To readily cooperate with other jurisdictions in all areas of tax administration.

During fiscal year 1984 the Department has continued several programs and activities designed to achieve the above goals. Some of these programs and activities are:

1. Development and continuation of an audit program which, through selective auditing, insures better compliance with South Dakota's tax laws;
2. The constant updating of the sales and use tax computer program to provide for more efficient processing of returns and reporting procedures;
3. The continued participation in a sales-ratio study in conjunction with the University of South Dakota for the purpose of monitoring the quality of assessment of real property (results from the sales-ratio study are used in a formula to determine state aid to education);
4. Continued participation in a soil survey program for the purposes of determining assessed values for agricultural land; and
5. Expanded programs of training, educating, and certification of property assessors and property tax administrators.

The Secretary of Revenue, appointed by the Governor, is the chief administrator of the Department of Revenue. The office of the Secretary provides effective management of the Department through budget controls and monitoring of activities to insure adherence to established objectives. The office of the Secretary designs and administers a staff support system that provides program management, budget controls, and administrative services for the Department. The office of the Secretary also provides the Governor, Legislature, and citizens of South Dakota with up-to-date information regarding various policies and programs of the Department of Revenue.

FIGURE I – 1
Department of Revenue Organizational Chart

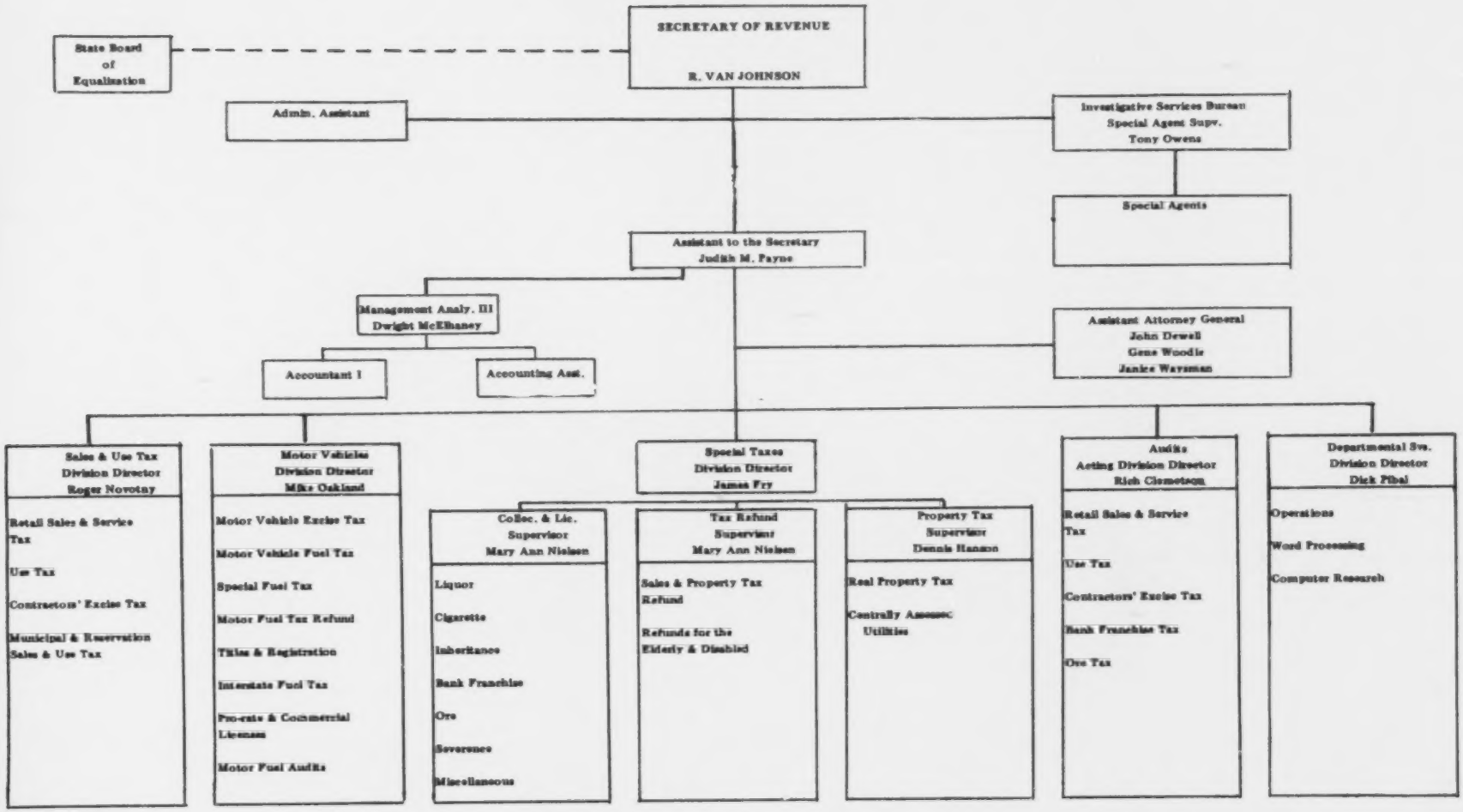

TABLE I—1
TAXES ADMINISTERED BY THE DEPARTMENT OF REVENUE

Division of Sales and Use Tax	Authority	Rate-Base	Description
Retail Sales and Service Tax	SDCL 10-45	4%	(License Required) Sales Tax applies on retailers gross receipts from all sales of tangible personal property and services not specifically exempted. Exemptions include but are not limited to sales to the state and its political subdivisions, certain agricultural products and motor vehicles, motor fuel, cigarettes, newspapers, labor on new construction and prescription drugs.
		3%	Tax applies to receipts from amusement devices and vending machines, except coin operated washers and dryers subject to special licensing.
		3%	Farm machinery and irrigation equipment; tax applies on the cash difference whenever a trade-in or exchange of used farm machinery is involved.
		2%	Tax applies to receipts resulting from oil and gas field services.
Use Tax	SDCL 10-46	4%	Use Tax is imposed on the privilege of the use, storage and consumption in this state of tangible personal property or services. Tax is imposed on persons using property, certain exemptions apply; property exempted if taxed under 10-45. Use tax license required.
		3% A 2% B	A. Farm machinery and irrigation equipment not taxed under 10-45. B. Property used in maintaining or operating any type of railroad company classified by 10-28.1.
Contractors' Excise Tax	SDCL 10-46B	1½%	Contractors' Excise Tax of 1½% is imposed on gross receipts of prime and subcontractors on realty improvement contracts performed for certain companies. Sales and use tax is applicable on construction materials.
	SDCL10-46A	2%	A contractors' excise tax of 2% is imposed on gross receipts of prime contractors on realty improvement contracts.
Municipal Contractors' Excise Tax	SDCL 10-46A and 10-52	½%	Municipal Contractors' Excise Tax imposed by city ordinance, administered by State Department of Revenue, tax in addition to state tax.
Contractors' Use Tax	SDCL 10-46-5	4%	Imposes use tax on contractors and sub-contractors who use tangible personal property in the performance of realty improvement contracts. Tax applies on the cost or fair market value of property, whichever is greater. MATERIALS USED IN PUBLIC CONTRACTS ARE TAXABLE. (See Contractors' Excise Tax)
Uniform Municipal Sales and Use Taxes	SDCL 10-52	No specific rate, rates vary from ¼%; ½%; 1; 1½; 2%; 2½% and 3%	Municipal sales and use tax imposed by city ordinance, administered by the State Department of Revenue, tax in addition to state tax. State exemptions apply. Farm and irrigation equipment and vending machines are occasionally exempted.
Reservation Sales, Use or Contractors' Excise Tax	SDCL 10-12-A	4% 1½% or 2%	The reservation sales, use and contractors' excise taxes are imposed by tribal ordinance and are identical to the state sales, use and contractors' excise tax.